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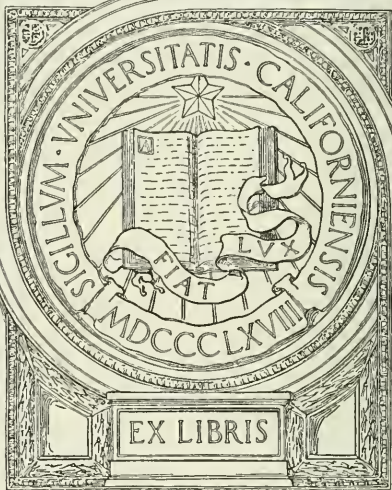


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Reciprocity. A Letter
Addressed to Mr. Thomas
Bayley Potter

By
Sir Louis Mallet

UNIVERSITY OF CALIFORNIA
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RECIPROCITY.

A LETTER

ADDRESSED TO

MR. THOMAS BAYLEY POTTER, M.P.,

AS

Chairman of the Committee of the Cobden Club.

BY

SIR LOUIS MALLET, C.B.



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March 17th, 1879

DEAR MR. POTTER,

I was asked last year by the Committee of the Cobden Club to write a paper for them on the subject of the recent cry for what has been known by the name of "Reciprocity."

The constant pressure of other work has hitherto prevented me from complying with this request—but I am bound to add that I have been deterred by another cause.

Whenever I attempted to address myself to the task, I was confronted with an insuperable difficulty.

In spite of much reading and a very sincere desire to understand the objects and arguments of the advocates of this new commercial policy, I have entirely failed in finding any statement of their case, or any programme of practical measures which will stand the test of serious discussion.

So that whenever I approached my adversary, I found him to be a man of straw.

I wish, therefore, frankly to lay my difficulties before the Committee; and, unless they can help

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me to a more distinct comprehension of the position which I am asked to assail, to submit to them a proposal which may, I hope, have the effect of eliciting the desired information.

For the present I can only deal with the crude opinions and proposals which have been put forward from time to time in the public press and at public meetings.

I take the following statement of the case on the part of the "Modern Reciprocitarian" from a pamphlet by Lord Bateman, entitled, "A Plea for Limited Protection or for Reciprocity."

"Granted that the theory of free and unrestricted commerce with all quarters of the universe is as bold as it is magnificent; granted that the idea, by whomsoever originated (and advocated by no one more consistently than by our good and wise Prince Consort), is both grand and glorious in its conception; granted that to give effect to it has been the aim, as it has been the long-accepted policy, of successive Governments; it cannot be denied that the sting of 'want of reciprocity' has from the first checkmated our philanthropic efforts, and obliged us now to confess, after thirty years of trial, that in practice our free trade is at best but one-sided; and that, while we are opening our ports to the commerce and manufactures of the world free and unrestricted, other countries, without conferring upon us any reciprocal benefit, are taking advantage, without scruple, of our magnanimous but disastrous (because one-sided) liberality."

It is necessary here to point out that there is no apparent connection of ideas between the statement of facts (even if they were correct) in this paragraph and the conclusions at which it seems to point, viz., that we are suffering not only from restrictions abroad, but from freedom at home.

No one would, I presume, deny that the system under which British trade is now carried on is not one of free trade, nor that a complete system of free trade is better than a one-sided free trade; but if, as is alleged, protection is only sought for the sake of reciprocity, it is impossible to understand why a one-sided free trade should not be better than no free trade at all.

The mutual relaxation of restrictions is a mutual advantage; the mutual creation of restrictions is a mutual injury. If one tariff is bad, two must be worse. It matters nothing whether the barrier be raised in one country or in another, the effect is precisely the same. It would be as rational, if the French railway from Boulogne to Paris doubled its charges, for the South-Eastern to do the same by way of reciprocity, as for the British Custom-house to raise the duties on French produce because France raises them on ours.

It will be said, perhaps, that the railway tariff affects the French exports as well as the British

imports, and that, therefore, the case is not parallel; but this is a fallacy. A moment's reflection will show that the French tariff affects French exports as well as British imports. If a French wine-grower is made to pay a higher price for his Lancashire cloth, or, what is the same thing, gets less of it for a "barique" of his wine, he will raise the price of his wine or give less of it in exchange; and his trade, as well as that of the British manufacturer, will be burdened and restricted by the tax.

To repeat this process at the English port would simply double the burden on both the French and the English trade. As Sir Robert Peel said long ago, the only way of fighting hostile tariffs is by free imports.

For what is reciprocity? The essence of all trade is and must be "reciprocity." Every transaction of commerce by which one man voluntarily sells his produce or property to another is an act of reciprocity, and is complete in itself. The imposition of a duty by one country on the produce or manufactures of another only affects the transaction by rendering it less profitable both to the seller and to the buyer; the variations of supply and demand will cause the incidence of the tax to fall upon the seller and the buyer, the producer and the consumer, in varying degree; but, in the long run, it will be equally shared between them.

This may be put in a way which leaves no door open for dispute or discussion. It must be admitted that, in principle, the effect must be precisely the same whatever the amount of the tax or the extent of the restriction—whether a duty of 10, 50, or 100 per cent. be imposed, there must be a point at which a duty becomes a prohibition. What is true in this extreme is equally true at every point and at every stage of the protective process. To whatever degree a country protects its own productions, it protects in precisely the same degree the productions of the countries with which it trades; for to whatever extent it closes its ports on foreign commodities, it prevents foreign countries from importing its own.

If this be true, and it cannot be otherwise, it follows that the more nearly the tariffs of foreign countries approach to the limits of prohibition, the more will the British producer be protected in his own market.

Those, therefore, who desire this kind of reciprocity—viz., the reciprocity of monopoly—must rejoice at every new restriction placed upon British trade abroad, as necessarily involving increased protection to British trade at home.

I am sometimes almost led to think, in reading the speculations of those who are always raising the cry of alarm at the importation of foreign goods, that they are still under the influence of the exploded

mercantile theory of the Balance of Trade, according to which the advantage of commerce to a country resides in what it parts with and not in what it obtains—in its exports and not in its imports, the balance being paid in money, which was supposed to be the only wealth.

I am unwilling to believe in the survival of this delusion; but if it still prevails in any quarter, it is so important to dispel it, that I am tempted to quote at some length the clearest exposition which I know of the phenomena of international trade.

“All interchange is in substance and effect barter: he who sells his productions for money, and with that money buys other goods, really buys those goods with his own produce. And so of nations: their trade is a mere exchange of exports for imports; and whether money is employed or not, things are only in their permanent state when the exports and imports exactly pay for each other.

“When this is the case, equal sums of money are due from each country to the other; the debts are settled by bills, and there is no balance to be paid in the precious metals. The trade is in a state like that which is called in mechanics a condition of stable equilibrium.”*

Mr. Mill goes on to show that a country which wants more imports than its exports will pay for has to pay the difference in money; that by this transmission of the precious metals the quantity of the

* Mill's “Principles of Pol. Econ.,” cap. 21

currency is diminished in such a country and increased in the countries with which it trades; that prices fall in the former and rise in the latter; and that the imports are checked and the export trade stimulated until the equilibrium of prices is restored, and the imports and exports again balance each other. He adds:—

“The equation of international demand under a money system, as under a barter system, is the law of international trade. Every country exports and imports the very same things in the very same quantity under the one system as under the other. In a barter system the trade gravitates to the point at which the sum of imports exactly exchanges for the sum of exports; in a money system it gravitates to the point at which the sum of the imports and the sum of the exports exchange for the same quantity of money. And since things which are equal to the same are equal to one another, the imports and exports which are equal in money price would, if money were not used, precisely exchange for one another. . . . In international as in ordinary domestic interchanges, money is to commerce what oil is to machinery, or railways to locomotion, a contrivance to diminish friction.”

Some apology appears to be necessary for thus reproducing a statement of doctrine which I always have thought had been thoroughly understood and accepted by all economists, but there would appear to be a wide-spread belief among certain classes of our countrymen that importing and exporting are

two totally distinct processes, with no necessary connection between them ; and that to place our foreign trade in a thoroughly satisfactory condition we should direct all our efforts to exporting as much as possible, and importing nothing in exchange. It cannot, therefore, be too broadly stated, or too often insisted on, that the two processes are as inseparably connected as the ebb and flow of the tide—that without imports there can be no exports, and without exports there can be no imports.

These two factors do not, of course, show the whole extent of our commercial intercourse with foreign countries ; but they are most important elements in it, and their relative value is more easily calculated. We have heard of late a great deal too much about the enormous excess of our imports over our exports, as if this were necessarily a symptom of unsound trade. There can be no greater fallacy. Even if the values of our imports and exports were strictly accurate, which they are very far from being, they would convey no correct idea of the real conditions of our foreign trade, unless we could be presented with a balance-sheet giving a Dr. and Cr. account of all the items in our dealings with all the countries with which we trade, including capital lent or borrowed, and the interest thereon, both in the form of public loans and private investments, and every particular of international indebtedness.

Without this knowledge it is of little use to talk about our trade accounts; but upon two points we may feel an absolute certainty—first, that we cannot import without giving a *quid pro quo*; and, second, that whatever may be the balance, it is only in certain cases, and within very moderate limits, that it is cancelled by a bullion payment.

As has been shown above, a country which does not produce the precious metals can never effect its purchases in gold or silver, except in liquidation of some comparatively trifling balance. And, as a matter of fact, the imports of gold and silver bullion into the United Kingdom have in recent years exceeded the exports. In 1878 the excess amounted to nearly six millions sterling, and the average annual excess in the last five years has been nearly five millions.

So far, then, from seeing anything disquieting in what is called an “adverse balance of trade,” it appears to me to be a feature on which we have every reason to congratulate ourselves, showing, as it does, that we are liquidating our debts in the least inconvenient way to ourselves, *i.e.*, by means of commodities which we can produce at less cost than other people.

If foreign countries are content to accept £50 worth of British goods in exchange for £90 worth of their own, are we to complain of their generosity? The preachers of the new gospel of reciprocity would

apparently answer in the affirmative. "Our policy," they say, "is to induce foreign countries to take more of our goods and give us less of theirs in return." If this is what is meant by reciprocity, I fear it is not a doctrine which is likely to be very popular either with the producing or with the consuming classes in the country ; but it would certainly be a better practical illustration of what Lord Bate-man calls "our magnanimous but disastrous liberality" than a system of Free Trade.

It may then be stated broadly that every Englishman who sells or buys in a foreign country, whatever be the tariff of that country or the tariff of his own, is already in the possession of complete reciprocity ; and it must be apparent that the term "reciprocity," if applicable to the object of which we have lately heard so much, must be used in a different and much less accurate sense.

This sense would not be far to seek were it not for my second difficulty.

I might have supposed that a policy of reciprocity meant, in a rough-and-ready way, the policy of Mr. Huskisson and his successors in negotiating what were called "reciprocity treaties," by which two countries mutually engaged to relax or remove restrictions on each other's trade or navigation, and to extend to each other "most favoured nation" treatment in a conditional or unconditional form.

In a still more general sense—viz., in that of a simultaneous reduction of tariffs—I might have supposed that the commercial policy of Mr. Cobden's Treaty with France in 1860 was in the minds of the modern advocates of "reciprocity;" but it was at once apparent that their aims were very different from those of Mr. Huskisson and Mr. Cobden.

The kind of reciprocity which Mr. Huskisson and Mr. Cobden had in view, although their methods were different in some essential respects, had this in common, that they both recognised the vital importance, in the cause of Free Trade, of international action.

Sir Robert Peel, probably very wisely, at the time of his great reforms in our commercial system, resolved to proceed independently of the co-operation of foreign countries, and trusted not unnaturally to the effect of sound principles, and to the example of success in provoking the reciprocity which he was at the time unable or unwilling to invite.

I am very far from disputing the wisdom of the course which was then pursued; on the contrary, I am quite disposed to think that it was the only course which it would at that time have been wise to take; but it became clear, after twenty years of trial, that great as was its success, the policy of "masterly inactivity" towards other countries had entirely failed in securing their adhesion to the Free Trade

cause, and so far defeated the expectations of its authors.

It was under these circumstances that Mr. Cobden was led to consider whether any means could be found of giving a new impulse to tariff reform and international progress.

It was impossible to revert to the discriminating system and the conditional engagements of Mr. Huskisson ; this would have been reaction, and not progress : but there could be no deviation from the strictest rules of sound economic policy, on the occasion of a sweeping reform of our own Customs system, in securing the co-operation of France with a view to simultaneous reductions which were not intended to be in favour of England and France alone, but to be general in their application.

Unfortunately, the sound maxim of Sir Robert Peel at the time of his reforms, that the best way of fighting hostile tariffs was by free imports, developed, by some strange process of reasoning in the minds of certain English economists (to say nothing of politicians, from whom anything may be expected and forgiven), into a notion which found ultimate expression in the maxim, " Take care of your imports, and your exports will take care of themselves."

This school of English Chauvinism has always strenuously denounced and resisted all attempts to secure the co-operation of foreign countries in estab-

lishing reciprocity of freedom, as if it were only less objectionable than reciprocity in monopoly, and has succeeded in doing two very mischievous things.

1. It has prevented the execution of a commercial policy which had been eminently successful in promoting freer trade on the Continent of Europe, and which, if completed as it might have been, would have effectually barred the course of the present reaction.

2. It is to a great degree responsible, if, indeed, it has not directly caused, the present blind cry for reciprocity. By discouraging and discrediting all attempts to obtain reciprocity of free trade, and by ignoring the incontestable truth that you cannot have free trade without reciprocity, the still grosser error has been generated in a section of the public mind that it is better to have reciprocity without free trade. The doctrine that half a trade, is as good as a whole trade has led, logically, to the opinion that no trade is as good as half a trade.

But in their haste to find rest in a comfortable abstract doctrine which should at once flatter the national vanity by asserting our independence of other countries, and save all further trouble, the advocates of this rule of policy entirely overlooked their facts. They forgot that, until the French Treaty, our tariff was bristling with import duties,

many of them protective, and that even now we draw a larger revenue from customs than any country in the world, except the United States. They forgot that their own condition was absent—that, in the sense of admitting them free, we do not take care of our imports.

I am very far from wishing in the slightest degree to palliate the attempts which are now being made by some foreign Governments—and, I regret to add, by Governments of our own possessions with even less excuse—to pursue still further a protective policy, and to plunder their people at large for the benefit of a privileged class.

On the contrary, I regard these attempts in the present state of Europe as little less than criminal; and I foresee a day of heavy reckoning, when Socialism, which is the direct offspring of Protection, claims its inheritance, and demands a share for the many in the dishonest gains of the few.

But if we were unable to raise even half our present Customs' revenue without having recourse to duties which were (as the phrase goes) incidentally protective, and our choice lay between such duties and direct taxation, I fear that there are some among us whose virtue would hardly be equal to the strain.

In thanking God, then, that he is not as other men, or even as this foreigner, the British Pharisee must

not be allowed to deceive himself by a phrase. So long as we continue to raise half our revenue from customs and excise, our fiscal system may be very convenient, but our trade is not free. We may, if we like, rejoice that our wretched climate enables us to levy millions on wine, tea, and tobacco without recourse to excise duties—and the risk of subsidised domestic industries; but no trade can be called free till all fiscal impediments to its freedom are removed.

It is no consolation to the grower of wine in France or of tobacco in America to be told, when he is trying to promote a wider trade in these commodities, that our duties are imposed “for revenue purposes only,” and are, therefore, above criticism. He very naturally replies, “It is true you do not grow wine or tobacco, but I do; and, on the other hand, there are many things which you do produce, and which I wish to buy of you, but, to enable me to do so, you must accept payment in the only coin which I have to offer—namely, my wine or my tobacco. The more you take of these, the more shall I be able to take from you in exchange.”

The maxim of “free imports” has never yet been tested, and never can be till our own tariff is purged.

This kind of reciprocity is, however, clearly not the object of the present agitation, which aims at the contraction and not at the expansion of our foreign trade, and invites us, in spite of the teaching of our

wisest statesmen and of the conclusive evidence of our own experience, to enter upon a course of retaliation and a war of tariffs.

I must, therefore, ask those who are disposed to listen to this appeal how they would set to work.

Reciprocity in their sense means, I suppose, that we should treat other countries as they treat us, whatever the effect upon ourselves—*i.e.*, that we should apply to each foreign country a tariff of duties which would correspond, as nearly as might be, with that which it enforces against us.

Let us see where this would lead us.

Our imports may be divided broadly into three classes.

1. Raw products or raw materials.
2. Manufactured and half-manufactured goods.
3. Articles of consumption, as food, drink, or tobacco, subdivided into (so-called)
 - a.* Necessaries.
 - b.* Luxuries.

The values of our imports in 1877 in each of these classes were:—

1. Raw products or raw materials	£130,041,052	
2. Manufactured and half-manufactured goods	49,089,241	
3. Articles of Consumption		
<i>a.</i> Necessaries ...	£140,954,110	} 177,325,151
<i>b.</i> Luxuries	£36,371,041	
Articles not classified	37,954,336	

I presume that it can only be in respect of the second of these three classes that any new scheme of taxation could be proposed ; for it is improbable that our manufacturing industries would desire to curtail their supply of raw material, or that the people of England will ever again submit to Corn Laws or Sugar Duties, and return to their small loaf and dear grocery, while our so-called luxuries, such as spirits, tobacco, wine, beer, tea, and coffee, are already so heavily taxed that the less we say about them the better.

It is, therefore, only with an eighth part of our import trade that we are, at the most, free to deal, and from this no inconsiderable deduction must, I presume, be made, for I can hardly believe that our manufacturing interest, as a whole, would desire duties on half-manufactured goods, intended for further processes which employ British capital and labour.

If, then, for the purpose of a policy of reciprocal restriction, it were proposed to re-impose duties on this small class of our imports, how could that purpose be attained ?

Let us examine the sources of our supplies, and see how far they correspond with the foreign countries upon which we desire or are able to retaliate by restrictions on their [trade. And first on the list of offenders stand the United States of America.

What manufactures do we import from them? In value less than £2,000,000 sterling, of which more than half consists of tanned and curried hides! There is little room for reciprocity here, for no one would dream of taxing their raw cotton and bread stuffs, and we had better leave them to tan and curry their own hides than attempt to do it for them.

Next in the illiberality of their tariffs come Russia and the Peninsula. But here the case is even worse, for we import no manufactured goods worthy of enumeration from any of them, while in the case of Spain and Portugal we already tax their wines not only heavily, but in a way which, in practice, affects them differentially, and derive from them a revenue infinitely greater than that which they raise from our exports to them.

Reciprocity here, therefore, would lead us in a contrary direction altogether from that which is desired.

But France, it will be said, which sends us every year a value of £16,000,000 in silks and woollens, shoes, and gloves, and "articles de Paris" and other finished manufactures—surely here at least we can do to others as we do not wish them to do to us. No doubt we could; but to retaliate on a country which as a rule taxes our imports about 20 per cent. or less, while we leave untouched a

country like the United States, which taxes them double, may be good or bad policy, but it is not reciprocity.

Nor could we give effect to such a policy without a further gross departure from the principle of reciprocity, by placing similar taxes on the manufactures of Belgium, Holland, and Switzerland, the tariffs of which are more liberal than those of France ; for in these days of railroads and transit trades the antiquated machinery of differential duties and certificates of origin could never be made effectual again.

And what applies to France applies still more to Germany, whose trade must always largely pass through Dutch and Belgian ports, as well as to Russia, whose produce would always find its way through Germany to the sea.

It may also be as well to ask whether we might not get the worst of it in a game at which two can play, and whether we should not injure ourselves more than we should injure France by a war of tariffs ?

The following table gives the total value of the trade between France and England in 1859, the year which preceded Mr. Cobden's treaty, and in 1877, the last year for which the account is complete :—

Exports from France into the United Kingdom.	Exports from the United Kingdom into France.	
In 1859, £16,870,859	{ British exports... £4,754,354 }	£9,561,956
	{ Re-exports 4,807,602 }	
In 1877, £45,823,324	{ British exports... £14,233,242 }	£25,663,602
	{ Re-exports 11,430,360 }	

This table shows that in that part of our export trade which consists of British produce and manufactures, the proportionate advance since 1859 has more than kept pace with the progress of the total importations from France, and we have seen that the importations of manufactured goods from France do not greatly exceed the amount of the British exports. Any check which might be imposed on the French trade in silks and woollens would be dearly bought by the corresponding check which a return to the policy of 1859 would place upon our export trade.

“Ex uno disce omnes !” It would be tedious to repeat a similar story with respect to other countries on the continent of Europe. I append for reference a list* showing the value of the manufactures which we imported in 1877 from most of the countries with which we trade, from which it will be seen that, even if possible, a policy of retaliation would be utterly futile.

Of India and China, which for commercial purposes must be considered together, it is unnecessary to speak in connection with this subject, for we levy on one of their products—tea—alone little less than the whole amount of their joint Customs Revenue !

I turn to the British Colonies, and take the

* Appendix A.

Dominion of Canada and the Australian group as the largest and most important of our customers.

What is the prospect for this kind of reciprocity here? We look in vain for a single item in the list of their exports which we could afford to tax, whatever their treatment of our manufactures may be. Canadian timber and Australian wool have become the breath of our industrial life, and must be admitted free.

Any attempt, then, at a discriminating reciprocity of restrictions must be abandoned in despair; not only would it fail in giving effect to its essential principle, but it would land us in inextricable confusion. There is only one course left—viz., that of placing a general import duty of a “moderately” protective character, say 10 per cent., upon all foreign manufactures.

But this cannot be intended, for it would be a simple return to a policy which we have already tried, and which we have abandoned step by step from a bitter experience of its disastrous results; and I would ask what reason there is for supposing that such a course would be more profitable in the future than it has been in the past.

If any one wants a proof, let him look at the history of our foreign trade, in that branch of it alone (if he likes) which consists of British exports.

In 1829, soon after Mr. Huskisson's and Mr. Poulett Thomson's reforms, the declared value of the British and Irish produce exported from the United Kingdom was	... ..	£35,842,000
In 1839 it was...	... ..	53,233,000
In 1849, just after the repeal of the Corn Laws	... ..	63,596,000
In 1859, the year before the French Treaty	... ..	130,411,000
In 1869, after nine years of the Treaty system, and before the Franco-German war	... ..	189,954,000
And in 1877	... ..	199,000,000
After having risen in 1872 to the astonishing amount of	... ..	256,257,000

And even now, until quite recently, as Mr. Giffen has shown, it is only the value and not the actual quantity of the goods which has sensibly diminished.

Another equally good illustration of the immense progress which our export trade has made is to be found in the proportion of the above value per head of population, which stood as follows:—

In 1829 the value of our exports was	£1	10	6	per head.
In 1839	„	„	2 0 8	„
In 1849	„	„	2 5 11	„
In 1859	„	„	4 11 2	„
In 1869	„	„	6 2 7	„
In 1877	„	„	5 18 11	„

I will adduce a few other proofs of the effect of the Free Trade policy on the national prosperity.

The following are the figures representing the tonnage of the British merchant navy at various periods:—

	British Empire.	United Kingdom.
1840	3,311,000	2,724,000
1860	5,710,000	4,586,000
1870	7,149,000	5,617,000
1878	8,266,000	6,198,000

The consumption of the following imported and excisable articles per head of the population was:—

	1852	1877
Sugar, raw	28·15 lbs.	54·06 lbs.
Tea.....	2·00 „	4·52 „
Tobacco.....	1·04 „	1·49 „
Spirits.....	1·10 gals.	1·23 gals.
Malt	1·50 bush.	1·92 bush.

Mr. Caird, in his recent valuable work on the landed interest, states that thirty years ago not more than one-third of the people of England consumed animal food more than once a week. Now nearly all of them eat it in meat or cheese or butter once a day, more than doubling the average consumption per head. He adds that within the last twenty-five years the capital value of the live-stock of the United Kingdom has risen from £146,000,000 to £260,000,000; and he puts the total gain to the agricultural interest—landowners, farmers and labourers—in rent, farm

capital, and wages, at £445,000,000 in the period under review.

Agricultural wages have risen from 9s. 7d. to 14s. 6d. since 1850; and it is needless to add that the wages of manufacturing labour have increased in a similar manner.

Among collateral indications of the national prosperity, which has, at all events, coincided with the adoption of our recent fiscal and commercial policy, I may refer to the growth in the assessments of income tax in Great Britain:—

In 1843 they were £251,013,000

In 1875 „ 535,708,000

To deposits in savings banks, which were—

In 1840, £23,471,000, or 17s. 9d. per head of population.

In 1876, £70,280,000, or 42s. 6d. „ „

And to the decrease in the percentage in pauperism to the population, which was—

In 1841 8·2

In 1876 3·1

And to other facts given in a recent interesting paper on the strength of England in the *Fortnightly Review*, by Mr. Farrer.

Can this be all? or is there yet some undiscovered policy which I have failed to divine?

If not, and if further reciprocity of restrictions is unattainable, I have yet one consolation for its advo-

cates. In a still more general sense, but in a sense very distinctly affecting the conditions of our foreign trade, their policy is actually in force.

It will, no doubt, be a source of unmixed satisfaction to them to find that our so-called "revenue duties" cannot fail to produce results as injurious to the exporting industries of the countries affected by them as their protective duties cause to our own trade.

The £20,000,000 which we annually raise in duties on foreign goods may be roughly divided among our different neighbours in the following proportions :—

The United States of America ...	£6,000,000
India and China.....	3,500,000
France.....	1,500,000
Spain	1,000,000
Germany.....	880,000
Portugal	450,000
Greece	320,000
Holland	150,000
Italy	80,000
British Possessions.....	4,000,000
Other Foreign Countries	2,000,000

And of all these countries there is hardly one which draws as large a revenue from the taxation of British produce. To take only two examples, the United States and France. The total value of British produce exported to the former country in 1877 was £16,300,000 ; making allowance for the

entry of a certain amount of goods duty free, the average rate levied can hardly be put higher than 30 per cent., which would give a total revenue of about £5,000,000; while in the case of France, the duties actually levied on British goods in the same year amounted to a little over £800,000.

What more could the most strenuous advocate of a retaliatory policy desire?

There is one ground upon which protective duties have been urged which appears at first sight rather more plausible than those which have been hitherto discussed. I mean the claim set up by our manufacturers in compensation for restricted hours of labour and exceptional taxation. It is said that if the Legislature chooses to place disabilities on particular industries, the country at large should bear the cost, and not the particular industries.

Now, in the first place, any such disabilities as are here in view are not imposed intentionally by the Legislature. The assumption has always been that cheap labour is not necessarily efficient labour, and that a system which leads to the degradation of the working class, and prevents them from attaining a certain moral, intellectual, and physical standard, directly impairs their productive energy.

But if it can be shown that any restrictions on labour or any special disabilities really diminish the efficiency of the industries which they affect, it should

be the object of our reformers to address themselves to the very legitimate task of obtaining relief from unwise or unjust laws, and not to extend their operation to the whole community.

For to what does the claim amount ?

Because the cost of production is increased in certain industries by an undue interference with labour, we are asked to raise the cost of living all round to the whole community.

Because an injustice is done to a section of the people, it is to be extended to all. To enter upon such a course would be to move further in a vicious circle, which could only end in the general impoverishment of the nation.

If the aid of Government is sought to equalise conditions of production at home and abroad, let it at least be invoked to diminish our burdens and not to add to them !

But, after all, what a hollow cry this is about foreign competition ! A country which exports her manufactures to a value of £150,000,000 per annum to rival and neutral markets, is represented to us as on the road to ruin, because she cannot succeed in preventing the importation of £50,000,000 worth of foreign goods !

I have now combated various imaginary propositions, but end as I began, without having discovered one which accounts for the action and language of so

many of our countrymen on this matter of reciprocity.

Will you think me very uncharitable if I say that an unworthy suspicion has sometimes crossed my mind that the policy which we are called upon to adopt might more fitly be called by another and a less innocent name?

Can it be that while the hands are Esau's hands, the voice is the voice of Jacob, inviting us, in the name of reciprocity, to barter our Free Trade birth-right for a mess of Protectionist pottage?

I prefer to believe that the fault is mine, and to seek for further light.

The proposal, therefore, which I have to make to the Committee is that they should offer a prize for the best essay explaining the objects of this much-debated policy, and the means by which it is proposed to carry it into effect.

I shall await the result without impatience, but not without curiosity, for the prize essayist must at least succeed in proving that no bread is better than half a loaf, and that because we cannot sell in the dearest, we ought not to buy in the cheapest market.

I am always,

Dear Mr. Potter,

Yours sincerely,

LOUIS MALLET.

APPENDIX.

IMPORTS OF MANUFACTURES INTO ENGLAND, 1877.

<i>From</i>					<i>Amount in Value.</i>
Russia	...	...	...	...	about £108,000
Sweden	...	...	...	...	„ 1,083,000
Norway	...	...	...	...	„ 39,000
Denmark	...	...	...	...	„ 27,000
Germany	...	...	...	...	„ 2,862,000
Holland	...	...	...	...	„ 6,830,000
Belgium	...	...	...	...	„ 5,312,000
France	...	...	...	...	„ 16,060,400
Portugal	...	...	...	...	„ 17,000
Spain	...	...	...	...	„ 18,000
Italy...	...	...	...	...	„ 318,000
Austria	...	...	...	...	„ 33,000
Turkey	...	...	..	...	„ 112,000
Egypt	...	...	...	...	„ 3,000
Persia	...	...	...	...	„ 13,000
China	...	...	...	...	„ 180,000
Japan	...	...	...	...	„ 5,000
United States	...	...	...	...	„ 1,843,000

APPENDIX B.

Revenue derived by various countries from Customs duties, according to the latest returns available :—

United States	£26,200,000
Great Britain	20,000,000
France	10,250,000
Germany	5,330,000
Russia	5,300,000
Italy	4,240,000
British India	2,700,000
Austria	2,320,000
Portugal	1,850,000
Spain	1,600,000
Sweden	1,200,000
Denmark	1,100,000
Belgium	865,000
Holland	385,000



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